



**North Carolina Department of Health and Human Services
Division of Aging and Adult Services**

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Michael F. Easley, Governor
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Dennis W. Streets
Director

DAAS ADMINISTRATIVE LETTER NO. 08-10

To: Area Agencies on Aging
Subject: Revised Assessment Policy, sec. 308, AAA Policies and Procedures Manual
Date: September 25, 2008

This memorandum provides an updated policy for programmatic monitoring of local service providers by Area Agencies on Aging (AAA). In addition to updated language that reflects the merger of Adult Services with Aging among other things, the following changes are incorporated into sec. 308 of the AAA Policies and Procedures Manual:

- On-site Fiscal Monitoring – Previously sec. 308 required AAAs to conduct periodic fiscal monitoring of subrecipients who fell below certain audit thresholds. These requirements were met by conducting on-site visits using the Fiscal Monitoring Tool for Non-Government Entities as needed, but at least once every three years. While, per Administrative Letter 06-02, Area Agencies on Aging are not required to conduct on-site fiscal monitoring, we do strongly encourage this as a best practice. The minimum requirement is that AAAs assure that the appropriate forms and audits are received and reviewed for completeness and consistency with the proposed use of federal and state awards. Administrative Letter 06-02 describes the reporting requirements for agencies that do not meet the audit threshold based on OMB Circular A-133 and N.C. General Statutes 143-6.2. Revised sec. 308 has been updated to reference these requirements.
- Verifying Client Eligibility during Unit Verifications – Sec. 308.2 (B) has been updated to confirm the necessity for AAAs to verify client eligibility when reviewing source documentation for services delivered to a sample of clients. Reimbursable services are based on the assurance that both clients and units of service are eligible for reimbursement.

If you have any questions regarding this information, please contact Kim Jacobs (kim.jacobs@ncmail.net) for fiscal monitoring questions or contact individual program consultants for specific service standards monitoring.

Sincerely,

A handwritten signature in black ink that reads "Dennis W. Streets".

Dennis W. Streets
Director

Change Notice Letter for Manual

08-1 CM

Area Agencies on Aging Policies and Procedures Manual

Revised effective October 1, 2008

308 Assessment of Community Service Providers

308.1 Introduction

Effective October 1, 2008, Area Agencies on Aging (AAA) will conduct assessments of community service providers in accordance with the requirements specified in this policy and in accordance with:

1. The Older Americans Act, Section 306 (a) (13)
2. Office of Budget and Management Circular A-133
3. 45 CFR 1321.7(a) and 1321.61(b)(1)
4. The Home and Community Care Block Grant Agreement for the Provision of County-Based Aging Services (DAAS 735)
5. The Division of Aging Home and Community Care Block Grant Manual
6. Administrative Letter 98-7, Implementation of Revisions to the Single Audit Act Applicable to Monitoring and Audits of Subrecipients
7. Administrative Letter 98-11, Self Assessment Guide for Monitoring Area Agencies, Change Notice to Policy Manual, Section 1700
8. NC Department of Health and Human Services Policies and Procedures Manual, Monitoring of Programs

308.2 Assessment Plan

- A. An **Assessment Plan** will be developed by each Area Agency on Aging covering the specific period of time covered by the Area Plan. This information will be provided through an exhibit in the Area Plan that identifies all community service providers within the Planning and Service Area (PSA) and the services that each is funded to provide. The plan will include all unit-based and non-unit based services. When service providers or funded services change, the assessment plan will be updated to reflect changes. Updates will be consistent with area plan amendment time frames. The assessment plan will identify which community service providers will be reviewed in which year and by whom [the Area Agency on Aging or staff from the Division of Aging and Adult Services (DAAS)]. Selection of the community service providers to be reviewed in any given year is based upon risk and need, as discussed below in sec. 308.2 D and E.

The Division of Aging and Adult Services provides prescriptive monitoring instruments for all community-based services at the following website: <http://www.ncdhhs.gov/aging/monitor/mtools.htm>. This site provides both Programmatic Monitoring Tools and Compliance Supplement Monitoring Tools to be utilized by Area Agencies on Aging for monitoring community-based programs for older adults.

OMB Circular A-133 outlines 14 required areas of compliance monitoring by fund source, and the Compliance Supplement Monitoring Tools are used to document compliance with these criteria as well as compliance with the conflict of interest requirement for non-profit entities. These tools must be completed, by funding source, once programmatic monitoring is completed. The results from these reviews are documented in the monitoring report to the community service provider (subrecipient).

- B. **Unit verifications** will be performed as needed but at least every other year for all aging services provided by each community service provider. This process will be conducted on-site. The area agency will develop an audit trail from the names/units reported on the Units of Verification Report (ZGA-USV) to the basic source documentation (case files, travel logs, log sheets, time sheets, sign-in sheets, etc.). This audit trail will be followed for each name/units sampled. In addition to a review of basic source documentation, the Area Agency on Aging will review client records to verify the eligibility of the clients in the sample to receive services.

A Base Sample will be drawn for each aging service provided by a community service provider. The following Base Sample guidelines will be employed:

Total # Clients Served	Base Sample Size
1 – 10 clients	All clients served
11 – 100 clients	No less than 10 of the clients served
101 – 250 clients	10% of the clients served
251 – 500 clients	7% of the clients served
501 – 1000 clients	6% of the clients served
1001 – 2000 clients	4% of the clients served
2001 – or more clients	2.5% of the clients served

If deemed appropriate by the AAA **or** if 10% of the total units reviewed in the Base Sample (not 10% of client records reviewed) are found to be ineligible,

the sample must be expanded by fifteen (15) new names, or more if needed, and a different month in which the provider received reimbursement must be selected for review. The number of units sampled per client is left to the discretion of the Area Agency on Aging.

C. **Fiscal Reviews** will be conducted annually for all subrecipients (i.e., service-providing agencies). The annual Area Agency on Aging Self-Assessment will be used to document that the following requirements have been met:

1. After the fiscal year has closed, determine for each subrecipient (yes or no) if the Single Audit requirement threshold under OMB Circular A-133 will be met for that fiscal year.
2. Indicate which subrecipients will receive an audit under OMB Circular A-133, and which subrecipients will not meet these audit requirements for the ending fiscal year.
3. Indicate (yes or no) that federal awards are used to cover audit costs during the current fiscal year only for those service-providing agencies that met the A-133 audit requirements for the previous year.
4. Following the review of the audit report, indicate (yes or no) that the AAA has resolved any audit finding(s) with service-providing agencies.

For those service-providing agencies that do not meet the Single Audit Threshold under OMB Circular A-133, the Area Agency on Aging will assure the receipt and review of certifications and financial reporting forms submitted by providers in compliance with the reporting requirements of N.C.G.S. 143-6.2.

Per Administrative Letter 06-02, Area Agencies on Aging have the option to complete on-site fiscal monitoring in lieu of receiving the annual reports from local providers. AAAs are required to notify providers if on-site fiscal monitoring will be conducted. The Fiscal Monitoring instrument can be found on the DAAS web site at <http://www.ncdhhs.gov/aging/monitor/mtools.htm>.

D. A **Risk-Based Monitoring** approach will be employed by each Area Agency on Aging to appropriately determine the intensity and frequency of Programmatic and Fiscal reviews. Each Area Agency on Aging is required to:

1. Develop criteria for determining “risk” (high, moderate or low) and implementing a “risk-based” monitoring plan for each service provider (subrecipient). See Administrative Letter 98-7 for guidance on risk-based evaluations.
2. Annually evaluate the level of risk (high, moderate or low) for each service provider agency.
3. At a minimum and regardless of “risk” status, each service provider will receive at least one on-site monitoring visit (either programmatic or fiscal) during a three-year timeframe.

4. Conduct a review of each service-providing agency's internal controls to assist in determining the most appropriate level of risk. The DHHS Internal Control Questionnaire is to be maintained on file for each service provider and updated as often as changes warrant. The Internal Control Questionnaire can be found in the Fiscal Monitoring Tools on the DAAS web site at <http://www.ncdhhs.gov/aging/monitor/mtools.htm>.

In addition, **on-site reviews** will be performed under the following circumstances:

1. If non-compliance findings are identified and not corrected by the community service provider within the time frames specified in their Corrective Action Plan.
2. If the area agency and either the office of the county manager or the county board of commissioners agree that additional assessments are warranted.
3. If the area agency and/or the Division of Aging and Adult Services agree that additional assessments are warranted.
4. If requested by the community service provider.
5. If a new community service provider is put in place by a county and that service provider has no recent history of providing aging services.
6. If a service provider is closing out its contract, and will no longer be providing aging services in the subsequent year within that PSA.

Review and approval of the Assessment Plan in the Area Plan exhibits is the responsibility of the Division of Aging and Adult Services and will follow the process and time frames required to approve regional Area Plans.

- E. **Programmatic Reviews** will be conducted on each new community service provider providing a service within the PSA. A review will not be needed if the provider is a current provider in another county within the PSA or if the provider is a current provider [in good standing] in another PSA. The scheduling of reviews for providers funded for services in more than one PSA will be consistent with Section 308.3 of this policy. Programmatic Reviews will be conducted on all community service providers as needed but at least once every three years.

NEED is defined as the AAA's knowledge or perception that a problem exists with a community service provider which has the potential to disrupt service, be an audit exception, and/or violate state or federal policy, laws, etc. Need is determined through the area agency's annual risk assessment process as defined in Administrative Letter 98-7 (see sec. 308.2 D above).

308.3 Scheduling Reviews

The area agency will develop written procedures describing the process the AAA has adopted in scheduling reviews with community service providers. The assessment period will begin on or after September 1 and will be completed by April 30. The following minimal areas will be addressed in the procedures:

1. Conditions or circumstances that would warrant exceptions to the annual time frames.
2. Procedures for sending a written confirmation of the date of the on-site review sent at least 30 days prior to the site visit.
3. Name and position of the Area Agency on Aging staff who normally conduct reviews.
4. Community provider staff who are expected to participate.

Providers of services in more than one PSA will be reviewed in accordance with policy. Area Agencies are to share monitoring information and coordinate the review process with the other AAAs involved to avoid duplicate reviews of service providers during any state fiscal year.

308.4 Assessment Reports

- A. The purpose of the assessment report is to provide timely and meaningful information to the community service provider pertinent to the findings of the on-site review.
 1. The area agency will develop written procedures that describe the process of preparing written assessment reports based on the on-site assessment of community service providers.
 2. Monitoring reports from the Area Agency on Aging to their subrecipients must be submitted in writing within 30 days of the site visit. Each report contains the following information:
 - a. Name and address of community service provider monitored
 - b. Fund Sources and specific program monitored
 - c. Name and title of monitoring staff
 - d. A summary of the areas reviewed during the site visit and, if applicable, a list of the non-compliance programmatic findings
 - e. Acknowledgement of compliance or non-compliance as related to the applicable 14 Audit Supplement Criteria **by funding source (CFDA #)**, which are:
 - ◆ Activities Allowed or Unallowed

- ◆ Allowable Costs/Cost Principles
 - ◆ Cash Management (*Not applicable to Aging*)
 - ◆ Davis-Bacon Act (*Not applicable to DHHS*)
 - ◆ Eligibility
 - ◆ Equipment and Real Property Management
 - ◆ Matching, Level of Effort, Earmarking
 - ◆ Period of Availability of Funds
 - ◆ Procurement and Suspension and Debarment
 - ◆ Program Income
 - ◆ Real Property Acquisition and Relocation Assistance
(*Not applicable to DHHS*)
 - ◆ Reporting
 - ◆ Subrecipient Monitoring
 - ◆ Special Test and Provisions
- f. Acknowledgement of compliance or non-compliance with the Conflict of Interest policy (non-profit entities only)
 - g. A description of relevant findings and areas of non-compliance with recommended corrective action
 - h. Any suggestions for improvement and/or technical assistance
 - i. The date a written corrective action plan is due to the AAA (normally within 30 days of the issuance of the assessment report). If no non-compliance is cited, the assessment is closed with no further response necessary by the community service provider.

308.5 Corrective Action Plan

- A. The Area Agency on Aging will develop written procedures describing the process local service providers must follow to submit a written Corrective Action Plan when finding(s) of non-compliance are made. The procedure developed will address the following, at a minimum:
 - 1. Circumstances requiring a corrective action plan.
 - 2. Process for advising a community service provider that there is a need for a corrective action plan.
 - 3. Maximum time frames for a community service provider to submit a plan to the Area Agency on Aging.
 - 4. Follow-up action by the Area Agency on Aging once a corrective action plan is received.

- B. Unless otherwise specified in the assessment report, a written Corrective Action Plan is due to the Area Agency on Aging within 30 calendar days of receipt of the report.

308.6 Follow-Up

The Area Agency on Aging will develop written procedures describing the follow-up action that will be taken to determine that a corrective action plan has addressed issues of non-compliance. The procedure developed will, at a minimum, address the following:

1. Describe the circumstances requiring a follow-up.
2. If follow-up is other than an on-site visit, describe the process and under what circumstances this would occur.
3. Describe the process used to communicate findings back to the community service provider.
4. State the time frames for the above activities.

Follow-up visits must occur before the close of the state fiscal year (June 30).